

## Message Text

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PAGE 01 STATE 305385  
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TREAS:MSEARING  
TREAS:RMUNK  
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L:PMICKEY  
EB:CERVIN

----- 035175 /70

O 162249Z DEC 76 ZFF4  
FM SECSTATE WASHDC  
TO AMEMBASSY BUDAPEST NIACT IMMEDIATE

C O N F I D E N T I A L STATE 305385

E.O. 11652: GDS

TAGS:EFIN, HU

SUBJECT: WORLD WAR I FLOUR DEBT

REFERENCE: BUDAPEST 4180

1. THE TEXT OF THE USG NOTE CONVEYED IN REFTTEL IS CLEARED  
FOR DELIVERY TO THE GOH WITH THE FOLLOWING CHANGES: (A)  
PARAGRAPH 1 (B) HAS BEEN REDRAFTED AND WILL NOW READ:  
QUOTE THE GOVERNMENT OF THE UNITED STATES OF AMERICA WEL-  
COMES THE PROGRESS THAT HAS BEEN MADE SINCE DISCUSSIONS  
WERE RESUMED NOVEMBER 4, 1976. AS A RESULT OF THESE AND  
SUBSEQUENT DISCUSSIONS, THE GOVERNMENT OF THE UNITED STATES  
UNDERSTANDS THAT THE GOVERNMENT OF THE HUNGARIAN PEOPLE'S  
REPUBLIC, IN FULL PAYMENT OF ALL PRINCIPAL AND INTEREST  
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DUE AS OF DECEMBER 15, 1976, ARISING FROM THE AGREEMENTS  
OF 1924 AND 1932, WILL DEPOSIT AS OF DECEMBER 15, 1976,  
THE AMOUNT OF \$4,327,271.44 TO THE GENERAL FUND ACCOUNT  
OF THE UNITED STATES TREASURY AT THE FEDERAL RESERVE BANK  
OF NEW YORK, OR SIGN AND DELIVER AS OF DECEMBER 15, 1976  
A NOTE UNDERTAKING TO MAKE SUCH PAYMENT NO

LATER THAN DECEMBER 20, 1976. NO INTEREST SHALL ACCRUE DURING THE PERIOD DECEMBER 15, 1976 THROUGH DECEMBER 20, 1976 PROVIDED THAT CASH PAYMENT IS MADE BY DECEMBER 20, 1976. UNQUOTE. FYI: (B) THE EMBASSY

HAS DISCRETION TO ALTER THE DATE DECEMBER 20, 1976 WHERE-  
EVER IT APPEARS IN THIS PARAGRAPH TO REFLECT THE DATE  
AGREED UPON WITH THE GOH FOR ACTUAL PAYMENT (UP TO DECEM-  
BER 30, 1976). END FYI. (C) PARAGRAPH 1 (F) SHALL BE  
DELETED. (D) PARAGRAPH 1 (G) WILL NOW READ: ATTACHED  
AS PART OF THIS NOTE (ANNEX A) IS A SCHEDULE OF HUNGARIAN  
PAYMENTS DUE UNDER THE AGREEMENT OF APRIL 25, 1924  
THROUGH DECEMBER 25, 1985. TO RECAP, PARAGRAPHS 1(B) AND  
1 (G) HAVE BEEN REDRAFTED. PARAGRAPH 1 (F) IS TO BE DE-  
LETED. THE REMAINDER OF THE NOTE AS PREPARED BY THE  
EMBASSY IS TO REMAIN AS CONVEYED REFTEL.

2. THE DEPARTMENT UNDERSTANDS THAT THE MINISTRY OF FINANCE  
HAS NOT YET GIVEN APPROVAL TO THE EXCHANGE OF DIPLOMATIC  
NOTES. IT IS  
OUR UNDERSTANDING THAT THE MINISTRY WILL BE IN A POSITION  
TO GIVE APPROVAL PRIOR TO OR ON MONDAY, DECEMBER 20. IF  
OUR UNDERSTANDING IS CORRECT, THE EMBASSY IS AUTHORIZED TO  
INFORM THE MINISTRY OF FINANCE THAT IF THE

GOH IS UNABLE OR UNWILLING TO UNDERTAKE THE EXCHANGE OF  
DIPLOMATIC NOTES  
BY DECEMBER 20, THE USG WILL  
BE UNABLE TO PERMIT ANY FURTHER EXTENSION OF THIS DEADLINE  
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FOR THE EXCHANGE OF NOTES. INTEREST ON ARREARAGES OF  
PRINCIPAL AND INTEREST DUE UNDER THE TERMS OF THE 1924 AND  
1932 AGREEMENTS WOULD, UNDER THESE CIRCUMSTANCES, ACCRUE  
ONCE AGAIN AS OF DECEMBER 15, 1976; C) IF THE GOH AGREES  
TO THE EXCHANGE OF THE NOTES BY DECEMBER 20, THE EMBASSY  
SHOULD REACH AGREEMENT WITH THE GOH ON A SPECIFIC DATE  
FOR ACTUAL DEPOSIT BY THE GOH. EMBASSY IS TO PRESS FOR GOH  
PAYMENT ASAP.

3. FYI: THE EMBASSY WILL UNDERSTAND THAT FOR A VARIETY OF  
REASONS, THE USG IS IN NO POSITION TO EXTEND THE "GRACE"  
PERIOD FOR THE EXCHANGE OF NOTES BEYOND DECEMBER 20. THIS  
FIRM POSITION IN NO WAY AFFECTS THE DISCRETIONARY AUTHORI-  
TY GIVEN THE EMBASSY TO EXTEND THE DATE OF PAYMENT  
TO DECEMBER 30. END FYI.

4. WHILE WE ARE SYMPATHETIC TO THE PRESS OF BUSINESS IN  
THE MINISTRY OF FINANCE IN ITS PREPARATIONS FOR A SESSION  
OF THE HUNGARIAN PARLIAMENT, WE BELIEVE THAT THE LACK OF

GOH CLEARED RESPONSE TO THE USG PROPOSAL, CONVEYED INFORMALLY BY THE EMBASSY, PLACES THE ONUS FOR ANY FURTHER DELAYS ON THE GOH. IT IS OUR HOPE THAT AGREEMENT WITH THE SPECIFIC TIME TABLE AS PRESENTED IN PARAGRAPH 2 ABOVE WILL PRECIPITATE THE NECESSARY FINAL DECISIONS ON THE PART OF THE GOH.  
ROBINSON

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## Message Attributes

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